

Outlook 2003



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Standards Development

The U.S. grain marketing system is undergoing rapid and profound change. Developments in plant breeding, the use of new marketing strategies such as identity preservation, increasingly complex processing, food manufacturing, and feed formulation, and other factors will continuously challenge GIPSA to develop and modify the official U.S. grain standards to ensure they accurately reflect and support market practices. To ensure that the grain standards remain relevant to the grain industry, from producer to end user, GIPSA plans to: (1) analyze comments received in response to the Agency's FY 2002 proposal to establish subclasses in Hard White wheat based on seed coat color, and to publish a final rule in spring 2003; (2) analyze the role of corn and soybeans in the changing U.S. feed sector and identify any needed changes to the grading standards; and (3) prepare a proposal to solicit comments on amending the oat standards to include new species of oats.

Review of P&S Act

The P&S Act has not undergone significant review in many years. GIPSA has determined that a comprehensive review of the P&S Act and regulations is warranted to ensure that the Act remains viable in the 21st century. GIPSA will reach out to various industry groups to incorporate them into this process. When the review is complete, GIPSA will provide a report to Congress.

Proposed Study

A wide range of procurement and pricing practices are used in the procurement of slaughter livestock and has been a source of some concern in the livestock industry. These procurement practices are part of a complex system of forward supply arrangements linking many producers, processors, and marketing firms. GIPSA believes more information about the number, prices, and quality characteristics of livestock sold through these various methods, and other information could help the Agency better understand changes in marketing practices, motivations for the changes, potential costs and benefits, and the relationship of these changes to the P&S Act. Contingent on Congressional funding, GIPSA plans to conduct a major study of the use and economic effects of all types of supply arrangements used throughout the livestock and meat marketing system, including captive supplies and packer ownership of livestock.

Swine Contract Library

The Livestock Mandatory Reporting Act of 1999 amended the P&S Act to require the Secretary of Agriculture to establish a swine contract library and to publish regulations implementing the swine contract library. In early 2003, GIPSA will implement a swine contract library to provide more transparency in the pricing of hogs purchased by packers for slaughter. The library will use a Web-based system to facilitate real-time data input from swine packers and data access by the public. The regulation will require certain packers to file swine marketing or purchase contracts with GIPSA and monthly reports about the number of swine expected to be delivered, under contract, to the packers. The swine contract library will include information from swine packing plants with a slaughter capacity of 100,000 swine or more per year (30 firms that operate 50 plants operated by 30 firms accounting for approximately 96 percent of industry slaughter in 2001).

The goal of the swine contract library is to provide useful information to producers and other interested parties. P&SP will receive contracts from packers, and extract the payment provisions unique to each contract. P&SP will list the different payment provisions from each unique contract, by region, on the GIPSA website. P&SP will extract and provide information about other contract provisions to provide as much information about contracts as possible under confidentiality requirements. Producers will then have the ability to see contract terms, including, but not limited to, base price determination formula and the schedules of premiums or discounts and packers' expected annual contract purchases. P&SP will also provide estimates of future hog purchases based on reports packers will file.

**Improve Annual
Assessment of the Cattle
and Hog Industries**

GIPSA plans to expand the scope of its Congressionally mandated annual assessment of the cattle and hog industries by including the poultry industry, and the sheep and lamb industry.

Increase Market Intelligence

P&SP is revising the report forms that packers file annually with GIPSA. The revised forms will allow GIPSA to collect more timely information on procurement and pricing methods, purchase volumes, packer processing costs, and plant- and firm-level productivity. This information will enable the Agency to more effectively monitor the industry, identify new business methods, and track trends, including efficiency and productivity trends. The Agency will also use this information to produce and publish more timely, accurate, and detailed statistics on captive supply use, packer financial performance, and industry costs than have previously been available.

Streamlining Processes
Captive

Among the actions that GIPSA plans to take as a result of the

Supply study GIPSA released in January 2002, is to consolidate the collection and processing of packer annual report forms in a single office (Economic and Statistical Support Staff) in Washington, D.C., rather than in each of its regional offices, as it is now being done. This will improve the standardization of definitions and procedures; give all firms a single point of contact regarding packer annual report questions; and improve the coordination, effectiveness, and efficiency of collecting, tabulating, and analyzing the data.

